

FISCAL ESTIMATE FORM**2007 Session**

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

LRB # 07-**INTRODUCTION #****Admin. Rule #** Chapter Tax 61 and 63**Subject**

Update of Ch. Tax 61 & 63 relating to Lottery Billing Terms

Fiscal Effect**State:** ☐ No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

☐ Increase Existing Appropriation ☒ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☒ Increase Costs - May be Possible to Absorb
Within Agency's Budget ☒ Yes ☐ No

☐ Decrease Costs**Local:** ☒ No Local Government Costs1. ☐ Increase Costs☐ Permissive ☐ Mandatory2. ☐ Decrease Costs☐ Permissive ☐ Mandatory3. ☐ Increase Revenues☐ Permissive ☐ Mandatory4. ☐ Decrease Revenues☐ Permissive ☐ Mandatory

5. Types of Local Governmental Units Affected:

☐ Towns ☐ Villages ☐ Cities☐ Counties ☐ Others _____☐ School Districts ☐ WTCS Districts**Fund Sources Affected**☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S**Affected Ch. 20 Appropriations****Assumptions Used in Arriving at Fiscal Estimate:**

The proposed rule conforms ch. Tax 61 and 63 to current law, enacted as 2003 Act 145 and 2005 Act 25.
The rule changes include:

1. *Billing Terms.* The rule increases from 1 week to up to 60 days the length of time for retailers to pay the department for lottery tickets received in the prior 60 days. 2005 Act 25, providing for the change in the length of the billing period, first affected renewals of contracts over two years ago. The law change may reduce lottery interest earnings depending on the new billing terms of the new contracts, the timing and volume of sales by retailers, and the interest rate earned by the department. The potential decrease may be illustrated by an example. Assuming statewide daily ticket sales are \$1 million and the lottery earns 4% annual interest, if retailers transfer sales proceeds of \$7 million to the department each week, annual interest earnings would be \$7.1 million; if sales proceeds of \$30 million are transferred each month, annual interest earnings would be \$6.6 million, a decrease of \$0.5 million.
2. *Service and handling fees; off-premises and bulk sales of tickets.* The rule prohibits a retailer from adding a service or handling fee to the purchase of a lottery ticket or the redemption of a winning ticket, unless authorized by the Lottery Administrator. In addition, the rule prohibits retailers from selling lottery tickets to off-premises customers by telephone, email, or other electronic means, or by mail, parcel, or other delivery service, unless authorized by the Lottery Administrator. The rule also prohibits a retailer from reselling tickets in bulk to another retailer. These prohibitions are consumer protections and are not expected to affect lottery revenues.
3. *Shipping charges.* The rule would allow the Department to charge a retailer for the actual cost of shipping lottery tickets on a date other than the retailer's scheduled delivery date. To the extent retailers place orders for delivery on dates other than the scheduled deliveries, revenues would increase in the amount of the shipping costs.

(continued on page two)

Long-Range Fiscal Implications:

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
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4. *Outstanding debts.* Currently, retailers may not receive additional tickets until prior tickets have been paid for in full. Under the rule, retailers would be allowed to receive additional tickets if they have a payment agreement with the Lottery Administrator to settle debts to the Lottery. By allowing some retailers to continue selling lottery tickets, this provision may prevent decreases in lottery ticket sales. In addition, the rule allows the Department to waive penalties for retailers that voluntarily disclose violations of Lottery rules, guidelines, or contract terms.
5. *Point-of-sale materials.* Currently, the Lottery provides retailers with point-of-sale materials including posters, decals, and brochures. Under 2005 Act 25, the Lottery is required to provide retailers with signs indicating the games for which the top prize has already been claimed. Prizes-claimed signs are printed using on-premises Lottery terminals and paper, and the cost is immaterial.
6. *Other provisions.* The rule makes several technical changes to the Retailer Performance Program to align the rule with the underlying law. In addition, the rule clarifies the grounds for termination of contracts with retailers. These provisions are not expected to have fiscal effects.

FISCAL ESTIMATE WORKSHEET

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Detailed Estimate of Annual Fiscal Effect

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Update of Ch. Tax 61 & 63

I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	(FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S	\$	-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$	\$ -

NET ANNUALIZED FISCAL IMPACT**STATE****LOCAL**

NET CHANGE IN COSTS \$ See text \$

NET CHANGE IN REVENUES \$ See text \$

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